

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Bagley Downtown Development Auth	County Otsego
Fiscal Year End March 31, 2006	Opinion Date October 19, 2006	Date Audit Report Submitted to State December 31, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

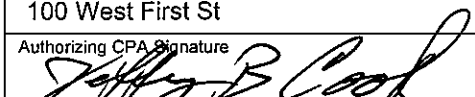
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None Required	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander, LLP		Telephone Number 989-732-7515	
Street Address 100 West First St		City Gaylord	State MI
Authorizing CPA Signature 		Printed Name Jeffrey B Cook	Zip 49735
		License Number 11876	

BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
OTSEGO COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Bagley Township
Downtown Development Authority
Gaylord, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Bagley Township Downtown Development Authority, a component unit of Bagley Township, as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Bagley Township Downtown Development Authority as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Bagley Township Downtown Development Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the financial statements.

The budgetary schedules on page 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskine, Cook, Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER LLP

October 19, 2006

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
MARCH 31, 2006**

ASSETS	
Cash	\$ 189,977
Due from Other Governmental Units	35,384
Total Assets	<u>225,361</u>
NET ASSETS	
Unrestricted	<u>\$ 225,361</u>

See accompanying notes to financial statements.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS	
EXPENSES					TOTAL
\$ (1,200)	\$	- \$	- \$	- \$	(1,200)
GOVERNMENTAL ACTIVITIES					
Downtown Development					
GENERAL REVENUES					
Property Taxes - TIFA					34,415
Interest Earnings					4,586
CHANGE IN NET ASSETS					37,801
NET ASSETS - BEGINNING OF YEAR					187,560
NET ASSETS - END OF YEAR					\$ 225,361

See accompanying notes to financial statements.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2006**

**MAJOR
GOVERNMENTAL
FUND**

ASSETS

Cash	\$ 189,977
Due from Other Governmental Units	35,384
	<hr/>
Total Assets	225,361
	<hr/> <hr/>

FUND EQUITY

Fund Balance	\$ 225,361
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See accompanying notes to financial statements.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED MARCH 31, 2006**

	MAJOR GOVERNMENTAL <u>FUND</u>
REVENUES	
Property Taxes	\$ 34,415
Interest Earnings	4,586
	<hr/>
Total Revenues	39,001
	<hr/>
EXPENDITURES	1,200
	<hr/>
Excess of Revenues over Expenditures	37,801
Fund Balance - Beginning of Year	187,560
	<hr/>
Fund Balance - End of Year	\$ 225,361
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See accompanying notes to financial statements.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE A: ENTITY

The Bagley Township Downtown Development Authority was organized in August 1997, by the Township of Bagley, under Public Act 197 of the State of Michigan. Its purpose includes but is not limited to: the prevention of deterioration in the downtown district, the encouragement of historic preservation, the creation and implementation of development plans, to increase property values in the downtown district, and to promote economic growth therein.

PRIMARY GOVERNMENT

The Bagley Township Downtown Development Authority is treated as a discretely presented component unit of Bagley Township. Bagley Township acts as the primary government for the Authority; accordingly, the Authority's activity is presented in the primary government's financial statements, which are located at 2946 South Otsego Avenue, Gaylord, MI 49735.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide including required disclosures, of the Authority's financial activities.

The accounting policies of the Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2002, the Authority adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Authority's financial statements has shifted from a fund focus to a government-wide focus.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Authority has one fund and one functional activity – preservation/positive development of Bagley Township's downtown area. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the Authority's governmental fund.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPE AND MAJOR FUND

Governmental Fund

The Authority reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating activities of the Authority.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes and investment income. In general, other revenues are recognized when cash is received.

BUDGET

Budgets of the Authority are prepared by the board and presented to the Bagley Township Board for approval before February 1st of each year. Amendments are also approved by the Bagley Township Board as needed.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET (CONTINUED)

The budget is adopted on a fund basis using the modified accrual basis of accounting and ends on March 31st of each year. There are no carryover budget items.

PROPERTY TAXES

Taxes represent a tax-increment financed capture and are recognized as revenue in that fiscal year. Taxes are assessed on a lien date of December 1st.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets available, the Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

CAPITAL ASSETS AND DEPRECIATION

The Authority owns no capital assets; consequently, no policies governing capital assets have been adopted.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

The Authority has incurred no long-term debt as of March 31, 2006.

NOTE C: CUSTODY OF ASSETS

All assets are under the control of the Authority. Upon dissolution of the Authority, all remaining assets revert to Bagley Township.

NOTE D: CASH DEPOSITS

On March 31, 2006, the Authority had bank deposits in the amount of \$189,977, with a book balance of \$189,977. \$100,000 is insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE E: DUE FROM OTHER GOVERNMENTAL UNITS

The balance due from other governmental units at March 31, 2006 relates to unremitted property tax revenues. The amounts due are as follows:

Bagley Township	\$35,384
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NOTE F: INSURANCE

Liability insurance is maintained by Bagley Township.

**BAGLEY TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Local Sources:				
Property Taxes	50,000	50,000	34,415	(15,585)
Interest	1,500	1,500	4,586	3,086
Total Revenues	51,500	51,500	39,001	(12,499)
EXPENDITURES				
Professional Services	16,000	16,000	1,200	14,800
Total Expenditures	16,000	16,000	1,200	14,800
Excess (Deficiency) of Revenues over Expenditures	35,500	35,500	37,801	2,301
Fund Balance - Beginning of Year	130,936	130,936	187,560	(56,624)
Fund Balance - End of Year	<u>\$ 166,436</u>	<u>\$ 166,436</u>	<u>\$ 225,361</u>	<u>\$ 58,925</u>